IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

POKERMATIC INC. d/b/a "Lightning Poker"	:	CIVIL ACTION
v.	:	
POKERTEK, INC.	:	NO. 06-3258

O'NEILL, J. SEPT. 27, 2006

MEMORANDUM

Plaintiff Pokermatic Inc. d/b/a "Lightning Poker" ("Lightning Poker") has brought this action against defendant Pokertek, Inc. asserting the following federal and state law claims: (1) antitrust claims for conspiracy to restrain trade, monopolization, and attempted monopolization under the Clayton Act, 15 U.S.C. §§ 15 and 26 for injuries sustained by reason of defendant's violations of the Sherman Act, 15 U.S.C. §§ 1 and 2; (2) Pennsylvania state law claims of civil conspiracy and defamation under 42 Pa. Const. Stat. § 8343(a), trade libel, injury to business or reputation under 54 Pa. Const. Stat. § 1124, tortious interference with contractual and prospective contractual relationships, and common law unfair competition; (3) a federal unfair competition claim under the Lanham Act, 15 U.S.C. § 1125(a); and (4) a declaratory judgment claim for patent non-infringement pursuant to 28 U.S.C. §§ 2201 and 2202.

Before me now is defendant's motion to dismiss for lack of personal jurisdiction and improper venue pursuant to Federal Rules of Civil Procedure 12(b)(2) and 12(b)(3) or alternatively for transfer of venue, plaintiff's response, and defendant's reply thereto. For the reasons stated below, I will grant defendant's motion for transfer of venue.

BACKGROUND

Plaintiff, a Pennsylvania corporation with its principal place of business in Pennsylvania, is in the business of designing, manufacturing, marketing, offering for sale, and installing a dealerless electronic poker gaming system referred to as the Lightning Poker™ table. Defendant, a publically traded company organized and existing pursuant to the laws of North Carolina and having a principal place of business in North Carolina, is in the business of manufacturing and selling a dealerless electronic poker gaming system referred to as the PokerPro™ table. By current estimates, there are approximately twenty-one dealerless electronic poker tables currently in service in the United States, all of which were sold by defendant.

Plaintiff alleges that during or around 2004 plaintiff and defendant began to develop distinct versions of the dealerless electronic poker table. Over the past two years, defendant has filed with the United States Patent and Trademark Office at least thirty-three patent applications, including provisional applications. Plaintiff alleges that defendant's patent applications were not filed for the purpose of protecting legitimate inventions but rather were filed as part of defendant's ongoing scheme to utilize an ostensible patent portfolio to preclude legitimate competition from entering the market.

On December 6, 2005, the United States Patent and Trademark Office issued United States Design Patent No. D512,466 ("'466 Design Patent") in the name of Gehrig Henderson White, the chief executive officer of Pokertek. The '466 Design Patent has since been assigned to defendant. Defendant sent a letter to plaintiff advising plaintiff of the existence of the '466 Design Patent on or about December 22, 2005. Plaintiff alleges that defendant also provided copies of this letter to plaintiff's customers and potential customers in an attempt to create a

concern that plaintiff's dealerless electronic poker table infringes defendant's '466 Design Patent.

Plaintiff broadly alleges that defendant and its agents and/or employees have engaged in a pattern of slander, trade defamation, and tortious interference with contractual and prospective contractual relationships with the specific intent to cause harm and damage to plaintiff. Specifically, plaintiff alleges that defendant falsely represented to plaintiff's customers and other individuals and organizations in the gaming industry that: (1) plaintiff's dealerless electronic poker table violated defendant's '466 Design Patent and defendant's pending patent applications; (2) defendant planned on bringing a ten million dollar patent suit against plaintiff; (3) defendant intended to "tie up" plaintiff in court; (4) entities that purchased plaintiff's product were in essence buying a patent litigation; and (5) plaintiff was not going to be in business much longer. The alleged recipients of the above representations were: (1) a representative from Mexican casinos at the National Indian Gaming Trade Show in Albuquerque, New Mexico; (2) a cruise ship line company that had attended a presentation by plaintiff in Fort Lauderdale, Florida (advised of defendant's allegedly false advice not by defendant but by another cruise ship line company); (3) two jointly-owned casinos in Atlantic City, New Jersey; (4) a representative from the Canada Lottery Corporation in British Columbia; and (5) a California casino.

In 2006, the parties engaged in a series of direct communications concerning the potential purchase of plaintiff by defendant. According to plaintiff, negotiations to purchase ultimately stalled because defendant wanted to conduct a wholesale review of plaintiff's technology and intellectual property but refused to enter into any non-disclosure or confidentiality agreements before conducting such a review.

Pursuant to Federal Rules of Civil Procedure 12(b)(2) and 12(b)(3), defendant asks me to

dismiss plaintiff's complaint for lack of personal jurisdiction and improper venue or, in the alternative, to transfer this case to the United States District Court for the Western District of North Carolina. Defendant alleges that it is not registered to do business in Pennsylvania, does not have offices in Pennsylvania, does not manufacture anything in Pennsylvania, does not have an appointed agent for service in Pennsylvania, does not have employees working in Pennsylvania, and does not sell, offer to sell, or market the PokerPro™ in Pennsylvania. Defendant previously had a contract to have one part - a bezel - of its dealerless electronic poker table designed and produced in Pennsylvania. Defendant alleges that the mold for the prototype was unsatisfactory, none of the prototype parts were ever incorporated into a product of defendant's, and the contract was terminated in 2005 prior to the filing of this lawsuit. Plaintiff does not appear to dispute these claims, but focuses on the above-described communications between defendant and plaintiff and communications between defendant and plaintiff's customers and other individuals and organizations in the gaming industry as basis for personal jurisdiction in Pennsylvania.

STANDARD OF REVIEW

In deciding a Rule 12(b)(2) motion to dismiss, the allegations of the complaint are taken as true. Dayhoff Inc. v. H.J. Heinz Co., 86 F.3d 1287, 1302 (3d Cir. 1996). However, once a defendant raises a jurisdictional defense, plaintiff bears the burden of demonstrating, through affidavits or other competent evidence, that jurisdiction is proper. Id. To meet its burden, plaintiff must establish defendant's contacts with the forum state with reasonable particularity. Mellon Bank (East) PSFS, Nat'l Ass'n v. Farino, 960 F.2d 1217, 1223 (3d Cir. 1992). Plaintiff may not "rely on the bare pleadings alone in order to withstand a defendant's Rule 12(b)(2)

motion to dismiss for lack of in personam jurisdiction. Once the motion is made, plaintiff must respond with actual proofs, not mere allegations." Time Share Vacation Club v. Atl. Resorts, Ltd., 735 F.2d 61, 66 n.9 (3d Cir. 1984) (citation omitted); Peek v. Golden Nugget Hotel & Casino, 806 F. Supp. 555, 558 (E.D. Pa.1992) ("References in a brief, unsupported by affidavit, are not properly before the Courts as facts evidencing contact for jurisdictional purposes.") (citations omitted).

DISCUSSION

I. Personal Jurisdiction

Federal Rule of Civil Procedure 4(e) grants a district court personal jurisdiction over nonresident defendants to the extent permissible under the law of the jurisdiction where the district court sits. Fed. R. Civ. P. 4(e); Grand Entm't Group, Ltd. v. Star Media Sales, Inc., 988 F.2d 476, 481 (3d Cir. 1993). Pennsylvania's long arm statutes are "coextensive with the limits placed on the states by the federal Constitution." Vetrotex v. Certainteed Corp. v. Consol. Fiber Glass Prods. Co., 75 F.3d 147, 150 (3d Cir. 1996); 42 Pa. Cons. Stat. §§ 5301 (general jurisdiction) & 5322 (specific jurisdiction).

The due process limits on the reach of personal jurisdiction are defined by a two prong test. See generally Vetrotex, 75 F.3d at 150-51. First, plaintiff must demonstrate that defendant has constitutionally sufficient "minimum contacts" with the forum. Burger King Corp. v. Rudzewicz, 471 U.S. 462, 474 (1985). To find that minimum contacts exist, I must examine "the relationship among the forum, the defendant and the litigation," Shaffer v. Heitner, 433 U.S. 186, 204 (1977), and determine that defendant "purposefully directed" its activities toward residents of the forum. Burger King, 471 U.S. at 472. In other words, there must be "some act by which

the defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws." Hanson v. Denckla, 357 U.S. 235, 253 (1958); World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 287 (1980) ("[I]t is that the defendant's conduct and connection with the forum State are such that he should reasonably anticipate being haled into court there."). Second, if plaintiff demonstrates sufficient "minimum contacts," I must determine whether the exercise of personal jurisdiction would comport with "traditional notions of fair play and substantial justice." Grand Entm't, 988 F.2d at 482 quoting Int'l Shoe Co. v. Washington, 326 U.S. 310, 316 (1945).

There are two theories under which a defendant may be subjected to personal jurisdiction: general and specific jurisdiction. A defendant may be subjected to general jurisdiction when plaintiff's cause of action arises from defendant's non-forum related activities, and the defendant has maintained continuous and systematic contacts with the forum. Vetrotex, 75 F.3d at 151; Burger King, 471 U.S. at 473 n.15. "The threshold for establishing general jurisdiction is very high, and requires a showing of extensive and pervasive facts demonstrating connections with the forum state." O'Connor v. Sandy Lane Hotel Co., Ltd., No. 04-2436, 2005 WL 994617, at *2 (E.D. Pa. Apr. 28, 2005) citing Reliance Steel Prods. Co. v. Watson, Ess, Marshall & Enggas, 675 F.2d 587, 589 (3d Cir. 1982). A defendant may be subjected to specific jurisdiction "when the cause of action arises from the defendant's forum related activities such that the defendant should reasonably anticipate being haled into court there." Vetrotex, 75 F.3d at 151 (internal citations omitted); 42 Pa. Cons. Stat. § 5322.

"[S]pecific jurisdiction is established when a non-resident defendant has purposefully directed his activities at a resident of the forum and the injury arises from or is related to those

activities." Gen. Elec. Co. v. Deutz AG, 270 F.3d 144, 150 (3d Cir. 2001) citing Burger King, 471 U.S. at 472. Thus, "minimal communication between the defendant and the plaintiff in the forum state, without more, will not subject the defendant to the jurisdiction of that state's court system." Id. at 259 n.3. "[T]elephone communication or mail sent by a defendant [do] not trigger personal jurisdiction if they do not show purposeful availment." Toys "R" Us, Inc. v. Step Two, S.A., 318 F.3d 446, 455 (3d Cir. 2003) quoting Barrett v. Catacombs Press, 44 F. Supp. 2d 717, 729 (E.D. Pa. 1999) (internal quotations omitted). Also, "informational communications in furtherance of [a contract between a resident and a nonresident] do not establish the purposeful activity necessary for a valid assertion of personal jurisdiction over [the nonresident defendant]." Vetrotex, 75 F.3d at 152 quoting Sunbelt Corp. v. Noble, Denton & Assoc., Inc., 5 F.3d 28, 32 (3d Cir. 1993) citing Stuart v. Spademan, 772 F.2d 1185, 1193 (5th Cir. 1985) ("[A]n exchange of communications between a resident and a nonresident in developing a contract is insufficient of itself to be characterized as purposeful activity invoking the benefits and protections of the forum state's laws."). Even "a contract alone does not 'automatically establish sufficient minimum contacts in the other party's home forum.'" Grand Entm't, 988 F.2d at 482 quoting Burger King, 471 U.S. at 478.

In intentional tort cases, the Court of Appeals has applied a modified specific jurisdiction analysis derived from Calder v. Jones, 465 U.S. 783 (1984). See IMO Indus., Inc. v. Kiekert AG, 155 F.3d 254, 265 (3d Cir. 1998). Under this analysis, known as the "effects test," plaintiff must show that: (1) defendant committed an intentional tort; (2) plaintiff felt the brunt of the harm in the forum such that the forum can be said to be the focal point of the harm suffered by plaintiff as a result of that tort; and (3) defendant expressly aimed his tortious conduct at the forum such that

the forum can be said to be the focal point of the tortious activity. IMO Indus., 155 F.3d at 265-66.

Under the effects test, "the unique relations among the defendant, the forum, the intentional tort, and the plaintiff may under certain circumstances render the defendant's contacts with the forum - which otherwise would not satisfy the requirements of due process - sufficient." Id. at 265. However, the effects test does "not carve out a special intentional torts exception to the traditional specific jurisdiction analysis, so that a plaintiff could always sue in his or her home state." Id. The effects test "can only be satisfied if the plaintiff can point to contacts which demonstrate that the defendant *expressly aimed* its tortious conduct at the forum, and thereby made the forum the focal point of the tortious activity. Simply asserting that the defendant knew that the plaintiff's principal place of business was located in the forum would be insufficient in itself to meet this requirement." Id.

In other words, the effects test recognizes "a critical difference between an act which has an effect in the forum and one directed at the forum itself. . . . [A]bsent some conduct by defendant directed at Pennsylvania rather than simply directed at plaintiff, Pennsylvania is not a reasonably foreseeable forum." Surgical Laser Techs., Inc. v. C.R. Bard, Inc., 921 F. Supp. 281, 285 & n.6 (E.D. Pa. 1996). "In the typical case, [exercise of personal jurisdiction under the effects test] will require some type of 'entry' into the forum state by the defendant." IMO Indus., 155 F.3d at 265 citing Indianapolis Colts, Inc. v. Metro. Baltimore Football Club, 34 F.3d 410, 412 (7th Cir. 1994) ("In Calder as in all the other cases that have come to our attention in which jurisdiction over a suit involving intellectual (when broadly defined to include reputation, so that it includes Calder itself) was upheld, the defendant had done more than brought about an injury

to an interest located in a particular state. The defendant had also 'entered' the state in some fashion, as by the sale (in Calder) of the magazine containing the defamatory material.").

In the present motion, defendant asserts that I cannot exercise personal jurisdiction over it because: (1) defendant does not have sufficient minimum contacts with Pennsylvania to give rise to either general or specific jurisdiction and (2) exercise of personal jurisdiction over defendant would be unreasonable. Because I find that plaintiff has not demonstrated constitutionally sufficient minimum contacts between defendant and Pennsylvania under either the traditional analysis or the Calder effects test, I do not address whether the exercise of personal jurisdiction would comport with traditional notions of fair play and substantial justice.

A. Traditional Minimum Contacts Analysis

A court may exercise general jurisdiction over defendant when the defendant has maintained continuous and systematic contacts with the forum. Vetrotex, 75 F.3d at 151; Burger King, 471 U.S. at 473 n.15. Defendant asserts that it is not registered to do business in Pennsylvania, does not have offices in Pennsylvania, does not manufacture anything in Pennsylvania, does not have an appointed agent for service in Pennsylvania, does not have an employee working in Pennsylvania, and does not sell, offer to sell, or market the PokerPro™ in Pennsylvania. Plaintiff does not contest these assertions. Nor does plaintiff argue that defendant's terminated contract to have one part of the PokerPro™ designed and produced in Pennsylvania constitutes "continuous and systematic" contacts with the forum sufficient to meet the high threshold for establishing general jurisdiction.

I also cannot assert personal jurisdiction over defendant under the traditional specific jurisdiction analysis. Defendant's forum contacts are limited to direct correspondence with

plaintiff regarding the parties' patents and negotiation of a possible purchase of plaintiff by defendant. Though I accept plaintiff's allegations as true, the correspondence cited by plaintiff is insufficient to constitute purposeful availment. Plaintiff does not allege that defendant committed any acts during the course of these direct communications that would indicate defendant availed itself of the benefits and protections of Pennsylvania law. At most, the alleged correspondence between plaintiff and defendant is mere communication in furtherance of development of a contract and thus does not establish the purposeful activity necessary for a valid assertion of personal jurisdiction.

B. Effects Test Analysis

As stated above, plaintiff cannot demonstrate sufficient minimum contacts between defendant and Pennsylvania under the traditional personal jurisdiction analysis. However, plaintiff asserts that defendant's contacts outside the forum with individuals and organizations in the gaming industry are sufficient to establish specific personal jurisdiction within the forum under the "effects test" derived from Calder v. Jones, 465 U.S. 783 (1984) and applied by the Court of Appeals in IMO Indus., Inc. v. Kiekert AG, 155 F.3d 254 (3d Cir. 1998).

The key question in this case is whether plaintiff has demonstrated that defendant has "expressly aimed" its allegedly tortious activity at Pennsylvania. "Only if this requirement is satisfied need [I] consider whether the brunt of the harm was actually suffered by [plaintiff] in the forum." IMO Indus., 155 F.3d at 266.

Here, taking plaintiff's allegations as true, I cannot conclude that defendant expressly aimed its allegedly tortious activity at Pennsylvania. Plaintiff asserts that defendant should be subjected to personal jurisdiction in Pennsylvania because defendant knew that plaintiff's

principal place of business was in Pennsylvania while it provided false advice detrimental to plaintiff's interests to other individuals and organizations in the gaming industry. Though these communications may have caused some economic harm to plaintiff, the alleged recipients of this advice were located and/or contacted in New Mexico, Florida, New Jersey, California, and Canada. Defendant directed no advice to individuals or organizations within Pennsylvania and at no time made entry into Pennsylvania. In urging that the effects test is satisfied here, plaintiff ignores the "critical difference between an act which has an effect in the forum and one directed at the forum itself." Surgical Laser Techs., 921 F. Supp. at 285.

II. Transfer of Venue

Defendant asks that I transfer this case to the United States District Court for the Western District of North Carolina. 28 U.S.C. § 1406(a), provides: "The district court of a district in which is filed a case laying venue in the wrong division or district shall dismiss, or if it be in the interest of justice, transfer such case to any district or division in which it could have been brought." As the United States Supreme Court noted in Goldlawr, Inc. v. Heiman, 369 U.S. 463, 465-66 (1962):

> Nothing in that language indicates that the operation of the section was intended to be limited to actions in which the transferring court has personal jurisdiction over the defendants. . . . The language of § 1406(a) is amply broad enough to authorize the transfer of cases, however wrong the plaintiff may have been in filing his case as to venue, whether the court in which it was filed had personal jurisdiction over the defendants or not.

Plaintiff asserts that venue is proper in this judicial district pursuant to 28 U.S.C. § 1391 and the Clayton Act, 15 U.S.C. §§ 15 and 22. 28 U.S.C. § 1391(b) provides:

> A civil action wherein jurisdiction is not founded solely on diversity of citizenship may, except as otherwise provided by law, be brought only in (1) a judicial district where any defendant resides, if all defendants reside in the same State, (2) a

> judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated, or (3) a judicial district in which any defendant may be found, if there is no district in which the action may otherwise be brought.

"For the purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced." 28 U.S.C. § 1391(c).

The Clayton Act, 15 U.S.C. § 15, provides: "[A]ny person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent . . . ." Additionally, the Clayton Act states: "Any suit, action, or proceeding under the antitrust laws against a corporation may be brought not only in the judicial district whereof it is an inhabitant, but also in any district wherein it may be found or transacts business . . . ." Id. § 22.

Plaintiff asserts that venue is proper in this judicial district because defendant is subject to jurisdiction in this judicial district and therefore is deemed to reside in this district, a substantial part of the events giving rise to the claim occurred in this judicial district, and a substantial part of the property giving rise to the claim is situated in this judicial district. I disagree. Because defendant is not subject to personal jurisdiction in Pennsylvania, defendant does not reside in Pennsylvania for the purposes of venue. All events giving rise to plaintiff's claims occurred outside of Pennsylvania, and no property situated within Pennsylvania is at issue in plaintiff's cause of action. Finally, defendant cannot be found in Pennsylvania, as defendant is not registered to do business in Pennsylvania, does not have offices in Pennsylvania, does not manufacture anything in Pennsylvania, does not have an appointed agent for service in Pennsylvania, does not have employees working in Pennsylvania, and does not sell, offer to sell, or market the

PokerPro™ in Pennsylvania.

Plaintiff's civil action might have been brought originally in the Western District of North Carolina where defendant is subject to general personal jurisdiction. Plaintiff does not specify an alternative to defendant's choice of forum but rather makes the generic request that I transfer this case if I find that venue in Pennsylvania is improper. Because defendant is not subject to personal jurisdiction in this court and venue is improper in this judicial district, I will transfer this action to the United States District Court for the Western District of North Carolina pursuant to 28 U.S.C. § 1406(a).

An appropriate Order follows.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

POKERMATIC INC.	:	CIVIL ACTION
d/b/a "Lightning Poker"	:	
	:	
v.	:	
	:	
POKERTEK, INC.	:	NO. 06-3258

ORDER

AND NOW, this 27th day of September 2006, upon consideration of defendant's motion to dismiss for lack of personal jurisdiction and improper venue or alternatively for transfer of venue, plaintiff's response, and defendant's reply thereto, and for the reasons set forth in the accompanying memorandum, it is ORDERED that defendant's motion for transfer of venue is GRANTED. This action is TRANSFERRED to the United States District Court for the Western District of North Carolina.

s/Thomas N. O'Neill, Jr.
THOMAS N. O'NEILL, JR, J.